

Message Text

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PAGE 01 PORT O 02027 130438Z
ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 EB-08 COME-00 CIAE-00 INR-10
NSAE-00 TRSE-00 /033 W
-----118562 140609Z /20
R 121748Z JUL 78
FM AMEMBASSY PORT OF SPAIN
TO SECSTATE WASHDC 2651

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FOR EXIM BANK

E.O. 11652: N/A
TAGS: ETRD, EFIN, TD
SUBJECT: PROPOSED EX-IM BANK FINANCING OF LOCKHEED
AIRCRAFT

1. LOCKHEED REP IN PORT OF SPAIN TO NEGOTIATE SALE OF WIDE-BODIED AIRCRAFT TO BWIA INFORMS US THAT THEY ARE PROPOSING FINANCING PACKAGE FOR SALE WHICH INCLUDES TERMS FOR 90 PERCENT OF COST, TO BE REPAID OVER TEN YEARS AT MAXIMUM RATE OF INTEREST OF NINE PERCENT. WHILE THEIR PROPOSAL TO GOTT DOES NOT SPECIFICALLY MENTION EXIM BANK, THEY HOPE FOR EXIMBANK SUPPORT FOR U.S. COSTS OF PLANES, PREFERABLY AS DIRECT CREDIT OR IF THIS IS NOT POSSIBLE, IN FORM OF GUARANTEE. ADDITIONAL FINANCING WOULD PROBABLY BE MADE AVAILABLE DIRECTLY BY LOCKHEED FINANCE CORP. AND THROUGH ECGD FOR ROLLS ROYCE ENGINES.

2. WE UNDERSTAND LOCKHEED MADE PRELIMINARY INQUIRIES AT EXIM BANK, AND LATTER INDICATED SOME RELUCTANCE TO GET INVOLVED AT THIS STAGE BECAUSE OF BWIA STRIKE. EMBASSY IS OF COURSE AWARE THAT BWIA IS IN DEFAULT ON TWO LOAN PAYMENTS TO EXIM, AND ITS FINANCIAL POSITION EVEN BEFORE STRIKE WAS SOMEWHAT PRECARIOUS. WE ASSUME, HOWEVER, THAT

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TRANSACTION OF THIS MAGNITUDE WOULD BE UNDERTAKEN DIRECTLY BY MINISTRY OF FINANCE, WHICH HAS RECENTLY PURCHASED THREE DC-9'S FOR BWIA, TWO OF THEM AS CASH PURCHASES.

3. EMBASSY WOULD APPRECIATE READING ON EXIM BANK'S RECEPTIVITY TO FINANCING AS OUTLINED BY LOCKHEED, AND CONDITIONS UNDER WHICH BANK MIGHT PARTICIPATE. IF EXIM NOT

ABLE TO ASSIST WITH THIS PACKAGE, WE BELIEVE THAT THE
SOONER THE COMPANY IS HEADED OFF, THE BETTER.

4. WE DO NOT CONSIDER THE STRIKE IN ITSELF TO BE A MAJOR
PROBLEM, ALTHOUGH IT DID OF COURSE WEAKEN AIRLINE'S
FINANCIAL POSITION. BWIA HAS NOW RESUMED PARTIAL SERVICE
ON MOST OF ITS RUNS, AND WE EXPECT OPERATIONS TO RETURN
TO NORMAL IN THE NEAR FUTURE. FURTHERMORE, GOTT IS
MOVING TO TAKE ADVANTAGE OF THIS DISRUPTION IN SERVICE TO
RATIONALIZE ITS ROUTES AND MANAGEMENT STRUCTURE TO PUT
AIRLINE ON A MORE SOUND ECONOMIC BASIS, WHICH SHOULD BE
SALUTARY IN THE LONGER RUN. FOX

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Message Attributes

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